

FILED

8/23/1999

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NORTH CAROLINA
RALEIGH DIVISION

PEGGY B. DEANS, CLERK
U.S. BANKRUPTCY COURT
EASTERN DISTRICT OF N.C.

IN RE:)	CHAPTER 7
INTERNATIONAL HERITAGE, INC.)	CASE NO. 98-02675-5-ATS
)	
)	
INTERNATIONAL HERITAGE)	CHAPTER 7
INCORPORATED)	CASE NO. 98-02674-5-ATS
)	
Debtor.)	

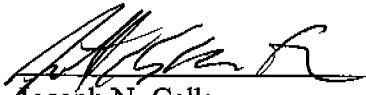
**RESPONSE OF THE STATE OF MONTANA TO APPLICATION OF TRUSTEE
FOR AUTHORITY TO ENTER INTO SETTLEMENT AGREEMENT**

NOW COMES the State of Montana through Mr. Mark O'Keefe, State Auditor and Commissioner of Securities (the "Commissioner"), through counsel and by way of response to the Application of Trustee for Authority to Enter into Settlement Agreement ("Application") and submits the following:

The Commissioner objects to the Application to the extent the Application seeks to impose upon the Commissioner any obligation or to the extent the Application is any way at variance with the position the Commissioner has taken in these bankruptcy cases, including specifically those positions taken by the Commissioner with reference to the Trustee's Motion to Enforce Stay, as well as the position taken by the Commissioner as regards the Trustee's Motion for 11 U.S.C. § 105 Injunction filed in Adversary Proceeding No. S-99-00043-5-AP. The Application is contingent upon this Court granting the Trustee's Motion for 11 U.S.C. § 105 Injunction, which would stay the Commissioner's Montana administrative action against the corporate debtors and certain individual principals thereof. Although the Commissioner seeks no monetary relief from the corporate debtors, for the reasons it has previously set forth in these

cases, it believes it must and is entitled to continue with the Montana action as against the corporate debtors and the individual defendants.

Respectfully submitted this 19 day of August, 1999.



Joseph N. Callaway
State Bar No.: 010821



Scott K. Beaver
State Bar No.: 16547
Attorneys for the State of Montana
BATTLE, WINSLOW, SCOTT & WILEY, P.A.
P. O. Box 7100
Rocky Mount, NC 27804-0100
(252) 937-2200

CERTIFICATE OF SERVICE

I, Joseph N. Callaway, Attorney for Respondent in this action, hereby certify that on the 19th day of August, 1999, I served the document to which this certificate is attached:

**RESPONSE OF THE STATE OF MONTANA TO APPLICATION OF TRUSTEE
FOR AUTHORITY TO ENTER INTO SETTLEMENT AGREEMENT**

by depositing a copy thereof postpaid in a post office or official depository under the exclusive care and custody of the United States Postal Service, in a wrapper, addressed to each of the following parties of interest in this action at the following last known addresses:

Lin Deola

Reynolds, Motl & Sherwood
401 N. Last Chance Gulch
Helena, MT 59601

U.S. Bankruptcy Administrator's Office

P.O. Box 3039 - Century Station
300 Fayetteville Street Mall, Room 416
Raleigh, NC 27602-3039

International Heritage, Inc.
Attn: Manager/Agent
2626 Glenwood Ave., #200
Raleigh, NC 27608

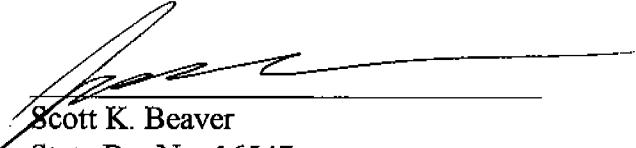
Brent Wood
Wood & Francis, PLLC
P.O. Box 164
Raleigh, NC 27602

Terri L. Gardner
Attorney for Debtor
P.O. Box 26268
Raleigh, NC 27611-6268

Robert Brunton
Kutak Rock
225 Peachtree Street, NE
Suite 2100
Atlanta, GA 30303-1768

Holmes P. Harden
Chapter 7 Trustee
P.O. Drawer 19764
Raleigh, NC 27619-9764

David R. Paoli
Paoli Law Office
P.O. Box 8131
Missoula, MT 58807



Scott K. Beaver

State Bar No. 16547

BATTLE, WINSLOW, SCOTT & WILEY, P.A.

Attorneys for State of Montana

P. O. Box 7100

Rocky Mount, NC 27804-0100

(252)937-2200